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U. S. DEPT. OF AGRICULTURE
NATIONAL FARMERS HOME ADMINISTRATION

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Rural Housing Loans



U. S. DEPARTMENT OF AGRICULTURE
Farmers Home Administration

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Rural Housing Loans

The Farmers Home Administration, under provisions in Title V of the Housing Act of 1949, as amended, makes rural housing loans.

These loans are made to (a) farmowners and (b) owners of nonfarm tracts in rural areas and small rural communities with populations of not more than 2,500.

Funds may be used to finance adequate but modest rural dwellings and essential farm service buildings. In certain cases funds may be used by farmowners to improve land or to buy more land when additional income is needed to pay for adequate buildings.

Rural housing loans are made only to applicants who are unable to obtain the credit they need from private and cooperative lenders.

Applications from eligible veterans are given preference. Both veterans and nonveterans must meet the same requirements and qualifications for loans.

Questions and answers explaining details of these loans follow:

How may loan funds be used?

Rural housing loans may be used to construct, improve, or repair rural homes and related facilities, or farm service buildings, or fallout shelters or to provide water for farmstead and household use. In addition to major construction, funds are available to modernize homes—add bathrooms, central heating, modern kitchens, and other home improvements, as well as to enlarge or remodel farm service buildings and put in related facilities such as paved feedlots, yard fences, and driveways. Loan funds cannot be used to refinance debts.

Who may borrow?

To be eligible, an applicant must:

- (1) Own either a farm or nonfarm tract. A farmowner may borrow funds to finance

housing for his own use or for the use of his tenants, or laborers. An owner of a nonfarm tract may borrow funds only to finance housing for his personal use.

- (2) Be without decent, safe, and sanitary housing or without farm service buildings essential to the success of his farming operations.
- (3) Be unable to finance the needed improvements with his own resources or with credit from other sources.
- (4) Have sufficient income to pay operating and family living expenses, and meet payments on debts, including the proposed rural housing loan.
- (5) Be a citizen of the United States.
- (6) Have the legal capacity to incur the obligations of the loan.
- (7) Possess the character, ability, and experience to carry out the undertakings and obligations required of him in connection with the rural housing loan.
- (8) Have training or farming experience necessary to give reasonable assurance of success whenever the soundness of the loan depends on the farming operations.

In certain cases holders of long-term leases may be eligible.

Who determines eligibility of applicants?

The Farmers Home Administration three-member local county committee determines the eligibility of applicants.

What are the terms and interest rate?

The interest rate is 4 percent per year on the unpaid principal. Each loan is scheduled for repayment within a period consistent with the borrower's ability to repay. The maximum term is 33 years. Each borrower is expected to refinance the unpaid balance of the loan when able to obtain such refinancing at reasonable rates and terms from other lenders.

What security is required?

Each loan will be adequately secured to protect the interest of the Government.

A loan of more than \$2,500 and a loan to be repaid in more than 10 years will be secured by a mortgage on the farm or nonfarm tract to be improved and by a mortgage on other property when necessary to adequately secure the loan.

A loan of not more than \$2,500 scheduled for repayment within 10 years may be secured by a mortgage on real estate or chattels, or other suitable security. A loan of not more than \$1,500 scheduled for repayment within 10 years may be secured by a promissory note.

Are there any limits on the kind of buildings that will be financed?

Rural housing loans are made to provide adequate but modest rural dwellings and essential farm service buildings. Usually loans will not be made to finance dwellings which contain more than 1,400 square feet of living area.

Are applicants expected to furnish building plans?

Applicants are expected to furnish detailed building plans obtained from any reliable source. The Farmers Home Administration has a limited number of plans available.

Are plans reviewed and is construction inspected?

Yes. The Farmers Home Administration reviews the plans and inspects the construction as it progresses in order to help the borrower obtain sound and acceptable construction.

When can construction be started?

The borrower must wait until the loan is closed before starting any construction or incurring any debts for material or labor.

Does it cost anything to apply for a loan?

It costs nothing to apply for a housing loan, but the applicant pays for legal services necessary to make certain he has a satisfactory title to the farm or nonfarm tract and for other incidental loan closing costs.

What other financial aid is available?

Owners unable to repay a loan may receive a grant of up to \$500 to make their buildings safe and free of health hazards.

Farmers Home Administration makes insured loans to farmowners, associations of farmers, States or political subdivisions thereof and public or private nonprofit associations for the construction of housing for domestic farm labor.

Where does an applicant apply?

An applicant applies at the county Farmers Home Administration office serving the area in which he owns, and expects to improve, his farm or nonfarm tract.

Anyone unable to locate the local office may write the Farmers Home Administration, U.S. Department of Agriculture, Washington 25, D.C.

How do rural housing loans aid in rural areas development?

Rural housing loans stimulate economic activity in rural communities by increasing employment opportunities for construction workers and increasing sales of building materials and home furnishings.

The new homes built under this program raise living standards, create a healthy environment for family life and make rural communities attractive locations for the development and expansion of rural industries.

What other loans are made by the Farmers Home Administration?

The agency also makes loans for farm and home operating expenses, buying and developing family farms, water development and soil conservation, developing small watershed projects, and for emergency credit needs.

Washington, D.C.



Growth Through Agricultural Progress